

Message Text

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62

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 IO-15 ISO-00 OMB-01 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 COME-00

INT-08 TRSE-00 DOTE-00 FMC-04 SCEM-02 NEA-10 AF-10

CG-00 COA-02 DLOS-06 ARA-16 DRC-01 /218 W

----- 097518

R 131400Z OCT 73

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 7234

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

USEC BRUSSELS 713

USMISSION GENEVA

USOECD PARIS 1189

LIMITED OFFICIAL USE OSLO 3800

E.O. 11652: N/A

TAGS: ETRN, OTRA, ENRG, NO, US, XM

SUBJ: SHIPPING - NORWEGIAN CONCERN OVER GROWING
NATIONALISM AND BILATERALISM IN US SHIPPING POLICY

REF: STATE 200716, 189928

1. SUMMARY: NORWEGIAN SHIPPING AUTHORITIES ARE GREATLY
CONCERNED ABOUT WHAT THEY CONCEIVE TO BE GROWING NATIONALISM
ANDBILATERALISM IN U.S. SHIPPING POLICY. IN PARTIUCULAR,
THEY ARE TROUBLED BY THE LIKELIHOOD THAT AN OIL CARGO PREFERENCE
BILL (STATE 200716) MAY BE PASSED SOON BY CONGRESS. THEY FEAR
ESTABLISHMENT OF THE PRINCIPLE OF PREFERENCES FOR
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COMMERCIAL CARGO INHERENT IN THE BILL AND BELIEVE IT WILL
HAVE A SNOW-BALL EFFECT WHICH WILL BE HARMFUL TO NORWEGIAN
SHIPPING. THE MATTER COULD BECOME A MAJOR IRRITANT TO
U.S. - NORWEGIAN RELATIONS, AND NORWEGIANS HAVE SUGGESTED

THAT, IF BILL IS PASSED, STEPS MAY BE TAKEN TO RESTRICT THE PARTICIPATION OF U.S. OIL COMPANIES WHEN NORWAY GRANTS FUTURE OIL CONCESSIONS ON THE NORWEGIAN CONTINENTAL SHELF. SOME NORWEGIANS GO SO FAR AS TO LINK THE ISSUE TO THEIR CONTRIBUTION TO NATO. NORWAY GREATLY FAVORS EXPANSION OF THE PRESENT U.S. OPERATING SUBSIDY PROGRAM TO PREFERENCES. END SUMMARY

2. FOREIGN MINISTRY (FRODE NILSEN), NORWEGIAN SHIPOWNERS ASSOCIATION (VIKOREN), AND MINISTRY OF COMMERCE AND SHIPPING (DALSTRO) OFFICIALS HAVE REVIEWED WITH THE EMBASSY THEIR VISIT TO WASHINGTON IN MID-SEPTEMBER.

3. GROWING BILATERALISM AND NATIONALISM IN U.S. SHIPPING POLICY IS VIEWED AS THE MOST SERIOUS SOURCE OF FRICTION BETWEEN NORWAY AND THE U.S. THE NEW NORWEGIAN AMBASSADOR TO WASHINGTON, SOMMERFELD, WILL GIVE THE ISSUE MAJOR ATTENTION AND, FOLLOWING ACCREDITATION, MAY RAISE THE SUBJECT WITH THE SECRETARY. THE FOREIGN MINISTRY HERE IS ALSO CONSIDERING ASKING THE NEW FOREIGN MINISTER, WHOSE APPOINTMENT IS EXPECTED SHORTLY, TO CALL IN THE U.S. AMBASSADOR TO EXPRESS CONCERN ABOUT THE MATTER.

4. THE MOST SERIOUS IMMEDIATE ISSUE IS THE BILL CURRENTLY BEFORE CONGRESS ON U.S.-FLAG CARGO PREFERENCES FOR OIL IMPORTS. NORWEGIANS CONSIDER PASSAGE OF THIS BILL, PERHAPS IN A COMPROMISE VERSION, A DISTINCT POSSIBILITY. THEY CLAIM IT WOULD BE FIRST TIME, OTHER THAN THE U.S. SHIPPING AGREEMENT WITH THE USSR, THAT A MAJOR WESTERN MARITIME NATION GAVE PREFERENCES FOR COMMERCIAL (VERSUS GOVERNMENT) CARGO.

5. THEY ARE WORRIED OVER PRECEDENT BILL WOULD ESTABLISH. IF THE U.S. EMBARKS ON SUCH A NEW POLICY, OTHER COUNTRIES ARE LIKELY TO FOLLOW, ESPECIALLY THIRD-WORLD AND OIL PRODUCING COUNTRIES. FOR EXAMPLE, NORWEGIANS SAY THAT

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LATIN AMERICAN COUNTRIES JUSTIFY THEIR PREFERENCES FOR GOVERNMENT CARGO ON U.S. PRACTICES EVEN THOUGH THE LATINS HAVE CARRIED THEIR PREFERENCES FOR BEYOND THOSE OF THE U.S. OIL PRODUCING COUNTRIES, ACCORDING TO NORWEGIANS, ARE ALSO LIKELY TO WISH A PIECE OF THE ACTION IF THE U.S. TAKES ONE, AND, LIKE LATINS, TO CARRY THEIR PREFERENCES BEYOND THOSE OF THE U.S.

6. NORWEGIANS BELIEVE THAT PREFERENCE LEGISLATION WILL PROVE HARMFUL TO THE NORWEGIAN MERCHANT FLEET, WHICH IS OVER 50 PERCENT IN TANKER TONNAGE. SINCE NORWAY IS COMMITTED TO PUTTING ITS MERCHANT FLEET AT THE DISPOSAL

OF NATO IN TIME OF WAR, THEY ALSO BELIEVE BILL COULD PROVE MORE HARMFUL FOR U.S. NATIONAL SECURITY THAN HELPFUL, AS CLAIMED BY SUPPORTERS OF THE BILL. THEY ARGUE THAT NATO FLAG TONNAGE IS LIKELY TO BE REDUCED AS OTHER COUNTRIES, ESPECIALLY OIL PRODUCING STATES, INCREASE THEIR TONNAGE. FURTHERMORE, THE SIZE OF THE EFFECTIVE U.S. - CONTROLLED FLEET UNDER FOREIGN REGISTRY, WHICH IS CURRENTLY INCREASING AND WHICH THEY BELIEVE SHOULD MEET U.S. NEEDS IN AN EMERGENCY, WILL PROBABLY SHRINK.

7. GOING ONE STEP FURTHER, NORWEGIAN SHIPPING AUTHORITIES IN THE FOREIGN MINISTRY CONSIDER THAT ANY ADVERSE EFFECTS ON THE NORWEGIAN MERCHANT FLEET COULD WEAKEN NORWEGIAN SUPPORT FOR NATO. THEY LOOK UPON THEIR MERCHANT FLEET AS A MAJOR NORWEGIAN CONTRIBUTION TO NATO AND HAVE STATED THAT NORWEGIAN CONFIDENCE IN NATO WOULD BE SHAKEN IF THE MAJOR PARTNER IN THE ALLIANCE UNDERMINED THIS CONTRIBUTION.

8. WHETHER OR NOT THE NORWEGIAN GOVERNMENT IS WILLING TO PURSUE THIS ARGUMENTATION EVEN PART WAY DOWN THE ROAD TRAVELED ABOVE BY NORWEGIAN SHIPPING AUTHORITIES IS UNCERTAIN. HOWEVER, COMING ON TOP OF THE U.S.-SOVIET SHIPPING AGREEMENT AND THE GROWTH OF NATIONALISM AND BILATERALISM THEY SEE EXEMPLIFIED IN U.S. POOLING AND EQUAL ACCESS AGREEMENTS WITH LATIN CARRIERS, PASSAGE OF AN OIL CARGO PREFERENCE BILL WILL UNDOUBTEDLY HAVE AN ADVERSE EFFECT ON U.S.-NORWEGIAN RELATIONS. IN THIS CONNECTION, NORWEGIAN SHIPPING OFFICIALS HAVE TOLD THE LIMITED OFFICIAL USE
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EMBASSY ON SEVERAL OCCASIONS THAT PASSAGE OF A PREFERENCE BILL WILL ENDANGER THE ABILITY OF AMERICAN OIL COMPANIES TO OBTAIN NEW DRILLING CONCESSIONS ON THE NORWEGIAN CONTINENTAL SHELF AND THAT NORWAY HAS INFORMALLY ADVISED INTERESTED OIL COMPANIES TO OPPOSE THE BILL. WHILE ANY OVERT RETALIATION BY THE NORWEGIAN GOVERNMENT IS UNLIKELY, BIDS FROM AMERICAN OIL COMPANIES ARE LIKELY TO RECEIVE LESS FAVORABLE TREATMENT THAN THEY MIGHT OTHERWISE. NORWEGIAN SHIPPING IS THE CORNERSTONE OF NORWEGIAN INDUSTRY AND THE ECONOMY GENERALLY, AND NORWAY IS UNLIKELY TO SIT STILL FOR A U.S. ACTION ESTABLISHING A NEW PRINCIPLE INIMICAL TO ITS SHIPPING INTERESTS.

9. IF THE AIM OF THE SHIPPING PREFERENCE BILL IS TO BUILD UP U.S.-FLAG TANKER TANKAGE, NORWAY WOULD MUCH RATHER THIS WERE ACCOMPLISHED THROUGH EXPANSION OF PRESENT U.S. DIRECT OPERATING SUBSIDIES AND/OR BY MAKING THEM ACCESSIBLE TO U.S. OIL COMPANIES WITHOUT FORCING THOSE COMPANIES TO DIVEST THEMSELVES OF THEIR FOREIGN FLAG TONNAGE. THIS WOULD GIVE NORWAY CONSIDERABLY LESS DIFFICULTY BY AVOIDING

THE OPENING UP OF A PANDORA'S BOX OF COMMERCIAL PREFERENCES.
NORWAY SUPPORTS A STRONG AMERICAN MERCHANT MARINE AS IN THE
BEST INTERESTS OF WESTERN SECURITY, BUT CONSIDERS THAT THE
OIL PREFERENCE BILL IS CONTRARY TO THIS INTEREST AND
WILL CREATE MORE PROBLEMS THAN IT WILL SOLVE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARINE TRANSPORTATION, NATIONALISM, CARGO SHIPS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OSLO03800
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731065/abqceghc.tel
Line Count: 171
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 200716, 189928
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by thigpegh>; APPROVED <24-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SHIPPING - NORWEGIAN CONCERN OVER GROWING NATIONALISM AND BILATERALISM IN US SHIPPING POLICY
TAGS: ETRN, OTRA, ENRG, NO, US, XM
To: STATE INFO COPENHAGEN
HELSINKI
LONDON
STOCKHOLM
TOKYO
USEC BRUSSELS
GENEVA

USOECD PARIS

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005